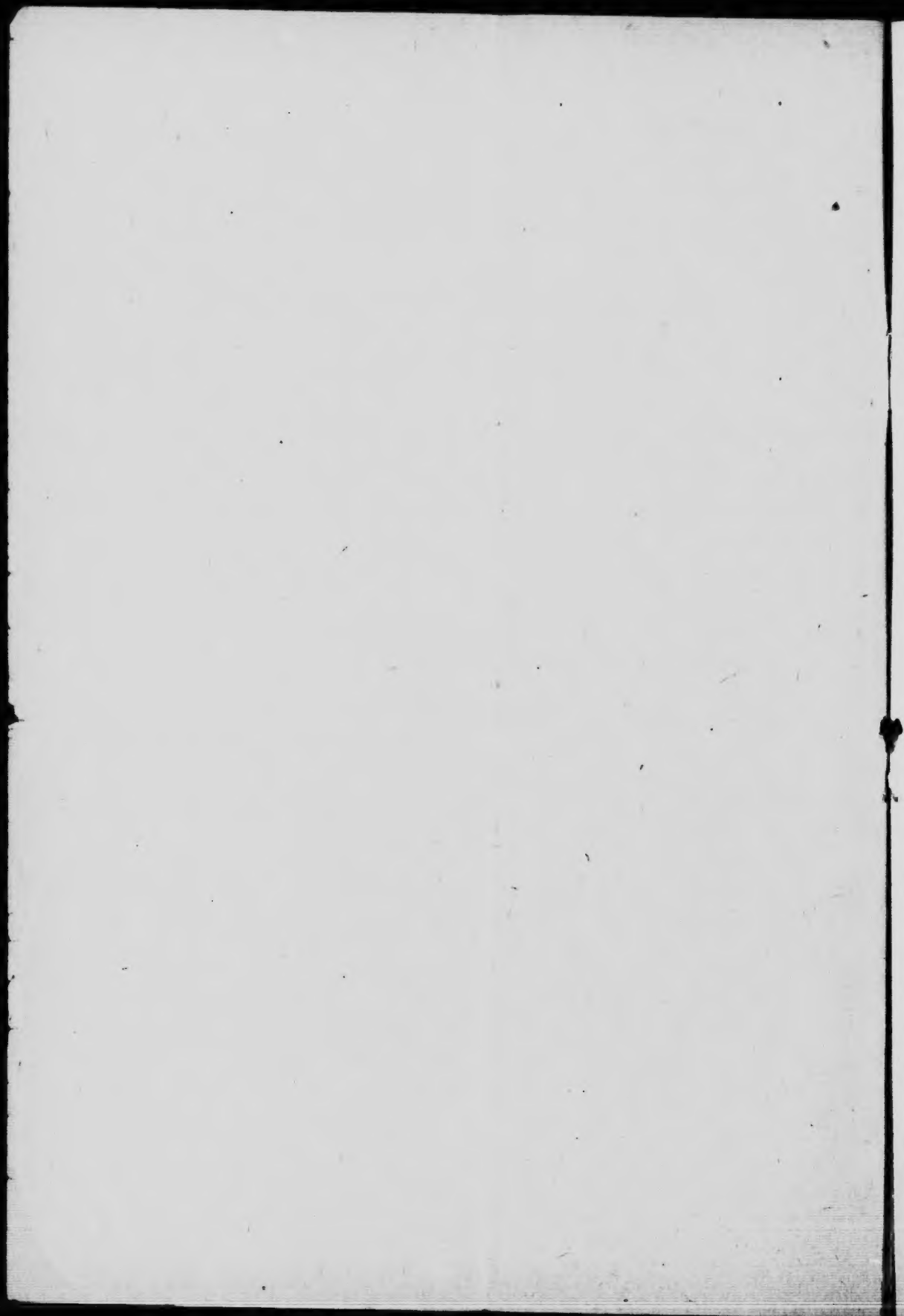


INTERIM REPORT
OF THE
SUPERANNUATION
COMMITTEE

NORMAL SCHOOL, SASKATOON

— APRIL 4, 1919.





INTERIM REPORT

OF

The Superannuation Committee

I. Preliminary

(a) Does such a superannuation scheme rest on sound public policy? Should the status of the teaching profession be so raised (and the salaries for service therein correspondingly increased) that the retiring teacher may (with more certainty than in the general run of cases at present) be enabled to provide against a possibly destitute old age without the aid of a pension?

(b) If a superannuation scheme is desirable, is the time now ripe (or almost ripe) for the adoption of such a scheme in Saskatchewan?

It is the purpose of the following sections of this report to throw some light on the above queries.

II. Social and Economic Reasons for Superannuation

(a) Manifestly the teacher, the cause of education, and the general public (as represented by the government), are the factors entering the proposed scheme. In the literature on the subject the position is usually taken that both the public conscience and the interests of education demand the adoption of some measure whereby the worn-out and aged teacher may be enabled to leave the profession when the safeguarding of the welfare of the pupils renders retirement desirable. Nothing is perhaps more distressing than the case of an aged and faithful teacher who finds himself (whether through defects in a social system or otherwise) left dependent or destitute in old age. Modern social conscience holds the employer (the state in the teacher's case) in part responsible for the happiness and security of its employees. The corporation that permits the

aged and faithful teacher to be turned out to starve because its trustees are unwilling to provide financial relief is alleged in the words of President Pritchett (Carnegie Foundation), to stultify itself "as an exponent of humane civilisation."

The teacher, like other employees, is subject to two great hazards: Firstly, premature death, thus leaving his wife and family or other dependents destitute; and, secondly, termination of earning capacity through disability or old age.

Teachers' salaries are comparatively low. It might be urged that the social system is at fault, that salaries should be considerably higher so that the teacher, who exercised sufficient judgment and foresight in providing for the years of retirement, would not be haunted by the spectre of a destitute, or nearly so, old age. Social systems, however, are relatively inflexible so that the question of their reform need not perhaps be discussed. In any event, it is not the object of this report to discuss such reformation. Recognizing social conditions as they do exist, the words of a leading authority; President Henry B. Pritchett, are of more immediate concern. "No means has ever yet been provided" says President Pritchett, "by which the teacher could secure adequate protection for his family and for himself at a cost within his reach." Such a pronouncement from so eminent an authority cannot be lightly set aside.

(b) From the economic viewpoint the teaching profession would tend to become a more permanent one through the adoption of a pension scheme. Presumably many capable teachers would enter and remain in

the profession who, now fear the prospects of a penurious old age. Greater educational rewards would also accrue to the state through the resultant increased efficiency of the teaching body and the elimination from its ranks of the, at present, too frequent succession of inexperienced teachers. Thus the public gain through a wise policy of superannuation would presumably far outweigh public contributions to the fund.

(c) Nearly all civilised countries have adopted some method of superannuating their teachers. Universities and large corporations have frequently adopted this policy. In 1917 a superannuation act was passed in Ontario, and while the scheme is too recent to reveal its defects, the Ontario teachers as a body seem quite enthusiastic as to the success of the measure. The convenor of this committee communicated with a considerable number of leading Ontario educationists and the following sentence is typical of the answers received: "Our superannuation act is a great thing for Ontario teachers. It is doing more than any other factor to put the profession on a permanent basis and should attract more and better men and women to enter it."

III. Meaning of Pensions

By a pension is meant an annual payment to an individual whether as a free gift or secured partly through the co-operation of the beneficiary. In the majority of pension schemes the individual benefited pays a certain percentage of his annual income into a pension fund, while the employer, either the state or a corporation, likewise contributes an equal amount annually. At the end of a specific time, varying usually from 20 to 40 years, the pensioner may retire and enjoy a fixed annuity for the remaining years of his life. Certain provisions for accident or disability are also usually found. There would indeed seem no moral nor economic reason why a member of the teaching profession should not contribute a share to the subsidy he is afterwards to enjoy. In the majority of

cases equitable provision is made for the early retirement (see Ontario's scheme below for example) of the beneficiary. Hence by the adoption of the pension system the risk of the individual employe is reduced by co-operation.

IV. Methods Usually Adopted.

Two plans are frequently followed in the establishment of pension systems for professional servants or groups of employees. (Report of Carnegie Foundation, 1916.)

(a) The Reserve Plan, whereby the necessary reserve for each beneficiary is annually set aside and this amount, with the accumulated interest, provides the pension when it falls due. The reserve plan rests on a compulsory and contributory basis, for experience proves that it is only on this basis that the relief system can accomplish its purpose. Unlike the legal and medical professions, for instance, the teaching profession is homogeneous, i.e., the members of the group live under comparatively similar conditions, are subject to the same life hazards, and receive rates of pay that are comparable. Thus the reserve plan is quite feasible in the matter of adjustment to the teaching profession.

(b) The Cash Disbursement Plan

In this case the pensions are paid out of current funds provided either by endowment, government appropriations or general incomes. This plan adapts itself to the non-contributory (on the part of the beneficiary) type of pension which in the end (according to President Pritchett) usually proves dearer to the beneficiary. Many systems of this type have broken down owing to their great cost. Furthermore, it is alleged that the beneficiaries of a free pension system tend to become dissatisfied and to regard these pensions as deferred pay which benefit only the few at the expense of the majority.

While the teaching profession is comparatively underpaid its members are not paupers, and doubtless they would prefer to contribute their share according to the reserve plan,

not only from their sense of the dignity of the profession, but also in view of the fact that actuarial experts favor the reserve plan as resting on the sounder financial basis. Furthermore, the experience of many retired teachers enjoying the benefits of the Carnegie Foundation Pension scheme is to the effect that the difference between the salary and retiring allowance is sufficiently great to prevent unnecessary retirements, and thus the tendency of the system is not to deprive the profession of the services of capable and experienced teachers.

An actuarial expert is authority for the following statement: "A pension system, considered as part of the real wages of an employe is really paid by the employe, not perhaps in money, but in the foregoing of an increase of wages which he might obtain except for the establishment of a pension system." The writer, however, has been unable to find any evidence to the effect that the tendency of a pension scheme was to depress salaries. President Pritchett also stated that, whatever system is adopted, "it is equally true of teachers as of industrial workers that in the long run and under a permanent system of pensions the teacher will pay a large share of his own pension." Thus it would appear that the pension system above described is really a plan of insurance especially adapted to teachers, and, furthermore, that such a system does not make any unwarrantable demands on the state.

The following recommendations appear in the report of the Carnegie Foundation for 1916 relative to the conditions which the annuity should fulfill:

"1. The annuity must provide an income that will continue after the teacher's active service until the end of life.

"2. A portion of this income, say one-half, must remain after the teachers death to his wife (or dependents) should she (or they) survive him.

"3. Any sums that the teacher has paid in must be returned to him with a fair rate of interest in case of his

retirement from the teaching profession. In case of his death before the age of retiring, his accumulation must be returned with a fair interest to his estate, either in the form of cash payment or in the form of an annuity to his wife (or heirs). In case of the early death of either or both after his retirement, any sum remaining to his credit must be returned to his estate."

V. Main Points of Ontario Act.

(a) Contributions. — All teachers and inspectors are to contribute $2\frac{1}{2}$ per cent. of their annual salary, while the provincial government is to contribute a sum equal to $2\frac{1}{2}$ per cent. of the salary of teachers and inspectors. These contributions are compulsory.

A minimum salary of \$550 is adopted for the purposes of the act.

(b) Benefits—(1) Forty (40) years of service entitles all teachers, inspectors, and various departmental officials engaged in the work of education to a full pension on retiring.

(2) Such pension is calculated by multiplying 1-60 of the average salary for the last 10 years of service by the actual number of years of employment.

For example, if the average salary were \$1,200, the retiring allowance would be forty-sixtieths of \$1,200, or \$800.

(3) It is provided that the minimum and maximum pensions for full service are \$365 and \$1,000 respectively.

(4) Teachers in the service before the act was passed shall count the years of employment prior to the date the act became effective, "each as a half-year of employment."

For example, a teacher who had taught for 20 years before the act was passed and 25 years thereafter, and who then retired, would be credited with 35 years of service. Thus his retiring allowance would be thirty-five-sixtieths of his average salary for the last 10 years, but not to exceed \$1,000.

(c) Sickness and Disability Benefits.—Certain sickness or disability benefits are also provided on a basis

similar to the above. In such cases the teacher or inspector must have completed 15 years of service.

(d) Five-Year Minimum. — No teacher or inspector who withdraws before having completed at least five years of service is entitled to a refund of his contributions. The intention at first was to make 10 years of service the minimum. Even five years may seem to work a hardship in certain cases, yet some provision of this nature seems necessary to exalt teaching above the "stepping-stone" practice.

(e) Forty (40) years were chosen as the basis of service, and it is on this basis that the beneficiary receives the largest allowance on retiring. If the teacher is efficient, however, there is no compulsory retirement at the end of 40 years. Strong objection has been urged that 40 years is too long a period for active service. Manifestly the act, as is usual in such cases, was drafted from the point of view of those entering the profession, rather than of those leaving it. To an extent, however, the act is retroactive, i.e., the years of service before the act came into effect count as half time in computing the pension.

(f) Provision is made whereby a teacher or inspector may retire at the end of at least 30 years of service, but at a decided disadvantage to the beneficiary as compared with his retiring allowance had he completed 40 years. A teacher or inspector retiring after 30 years would receive only about 43 per cent. of the amount to which he would have been entitled had he remained in the profession 40 years. After 35 years of service such allowance would be about 60 per cent. of the pension available at the end of 40 years. Were a teacher to retire at the end of, say, 29 years, he would be entitled under the act only to the return of his contributions.

VI.—Recommendations

The committee present the following recommendations or perhaps suggestions. Only general principles are indicated as the details must be

worked out by actuarial experts. The Ontario act is largely the pattern for the following suggestions.

(a) Dr. Foght says in his report: "The most difficult phase of the entire educational problem is how to get and retain in the profession a sufficient number of well-prepared teachers. Before teaching can be thoroughly professionalized several things must come to pass." Among other recommendations he states the following: "The government must, by legal enactment, safeguard the profession and offer special inducements to all teachers to equip themselves well for their profession and make it their life work."

Does the "legal enactment" safeguarding the profession, and the special inducements referred to, include a superannuation provision? The answer seems to be in the affirmative.

(b) A superannuation act similar to that operative in Ontario should be adopted at an early date in Saskatchewan, the terms of such act to be applicable to all teachers holding at least second class professional qualifications (and engaged in public schools, separate schools, continuation schools, high schools and collegiate institutes, and in approved private schools), to inspectors of schools, members of the normal school staffs, and to certain departmental officials engaged in educational administration.

(c) The Ontario superannuation act offers a definite superannuation allowance to those teachers completing 40 years of service. It also offers superannuation to those completing 30 years of service on a basis "actuarially equivalent" to the 40 years' service plan. Many Ontario educationists are strongly of the opinion that there should be a definite scale of retiring allowances from 25 years of service up to 40 years. This end would apparently be possible if a 3 per cent. basis (annually contributed by the teacher and province respectively) were adopted. It seems desirable that the proposed Saskatchewan Act should comply with the latter recommendation.

(d) The 5 year minimum clause in the Ontario act would seem applicable to Saskatchewan.

(e) The Ontario scheme makes no provision for anyone after the death of the teacher, except that the balance accumulated from premiums paid in is to be returned to the heirs. Some provision should be made (say to the extent of one-half of the teacher's pension) to safeguard the interests of the deceased teacher's wife or dependents.

(f) The basis of the superannuation allowance should be the average of the highest ten years (not the last ten years) salaries of the teacher. The last 10 years' salaries of teachers in the lower ranks of the profession are likely not to be the highest average salaries, while the salaries of inspectors and those in the highest ranks are likely to be at their maximum during the last 10 years.

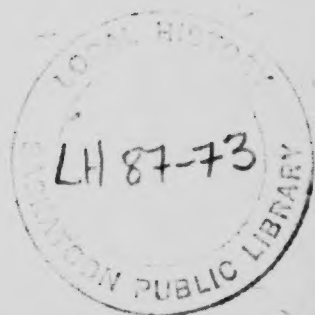
(g) The maximum retiring allowance, i.e., \$1,000 in Ontario, seems arbitrary and bordering on injustice. In the case of those who have paid in premiums throughout their entire service period, the retiring allowance should be the full amount obtainable on the basis of the computation used in the scheme.

(h) The years spent, after the teacher has entered the profession, in qualifying for a higher certificate should be included as whole years (or at least half years) of service.

(i) Any duly qualified teacher should be enabled to have his or her years of service in Saskatchewan at the time when the act goes into force, counted as full years for the purposes of the act (not as half years as in Ontario) by paying into the superannuation fund a lump sum (actuarially determined) equal to the amount he would have contributed had the act been in force when he entered the service in Saskatchewan. Assuming, for instance, the rate fixed by the act to be 3 per cent. of the annual salary; in the case of a teacher who had taught for 10 years in Saskatchewan when the act became effective, this term of years would be counted as years of service on the payment by the teacher of 30 per cent. (or whatever percentage may be actuarially determined) of his average annual salary for such 10 years.

Respectfully submitted,

SUPERANNUATION COMMITTEE.
Normal School, Saskatoon,
April 4, 1919.



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